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Rural Lines

RURAL ELECTRIFICATION ADMINISTRATION • U. S. DEPARTMENT OF AGRICULTURE

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U. S. DEPARTMENT OF AGRICULTURE

POWER FOR EGGS

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PLOWING FUNDS BACK INTO PLANT

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A Message from the

ADMINISTRATOR

The 2 percent Treasury Bonds-REA Series went on sale in mid-1960. As the new year began, purchases of these securities by REA borrowers already had passed the \$10 million mark.

This is a splendid example of the sort of voluntary action that has made the rural electrification and telephone programs among the strongest of the Government. The 2 percent bonds were developed in response to requests from a number of borrowers. You, in turn, have responded by buying them in ever increasing numbers. Many of you have realized that the general public may question the propriety of your buying securities that pay you a higher interest rate than you pay on REA loans. Your purchases to date indicate a well developed sense of public relations on the part of REA borrowers.

For REA's part, we are not going to hide your lights under bushels. We have issued press releases on your bond purchases at every milestone, including the \$10 million marker. In addition, the United States Treasury prints the total of your purchases each month in its Statement of the Public Debt. I hope that when your company or cooperative buys its first 2 percent bond, you will notify local editors of the fact and explain to them how these bonds came into being.

It is all very well to talk about good public relations, but we can't expect to have them unless we tell our story.

Rural Lines

David G. Hamel

Administrator.

June E. Panciera, Editor.

Contributors to this issue: Hubert Kelley, Jr., Bernard Krug, Lucile Holmes, Barton Stewart.

Cover Picture: Transformer bank and storage bins at 32-ton chickenfeed grinding and mixing plant, Wedgefield Plantation, Georgetown, S. C. (page 12).

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Photo courtesy Agricultural Research Service

Shade-grown tobacco with curing barn in background at Quincy, Florida.

A Financial Planning Story

PLOWING FUNDS BACK INTO PLANT

Even a strong cooperative with an obviously bright future requires a 10-year financial forecast and plan, advises Leon Weaver, manager of Talquin Electric Cooperative, in Quincy, Fla.

At the close of 1959, the year that Talquin's forward thinking board of directors okayed a detailed financial plan for the co-op, net worth was 27.9 percent of assets. The cooperative was serving 8,800 consumers over 1,800 miles of line, and revenue per mile was \$60.55. Net margin was \$287,488. It would have been easy for the co-op management to let the future take care of itself.

The Talquin plan proposes plowing large amounts of gen-

eral funds into plant, instead of borrowing additional funds from REA. Barring unforeseen disaster, the co-op management does not plan to apply for a new REA loan for at least a decade.

But Weaver says, simply: "You cannot handle general funds intelligently without a financial plan."

Weaver, who jumped into financial forecasting in 1958 before REA's bulletin on the subject was published, relied for much of his data on REA's Power Requirements Study of Talquin. Weaver's projections indicated that the number of meters served by Talquin would climb to 15,400 by 1969; at the same time, miles of line would increase to only 2,069. Kilowatt-hour sales would jump sharply, from 35.6 million kwh sold in 1959 to an expected 113.5 million kwh in 1969. Average use of power per

Editor's note: Publication of the Talquin story is not intended to imply endorsement by REA of the board's financial conclusions. REA's position is outlined in Bulletins 105-4 and 105-5.



Talquin Electric Cooperative's fine, modern headquarters, Quincy, Florida, exemplifies its forward-looking, substantial management policies.

consumer would almost double in the 10-year period.

In a recent interview in Florida, Weaver paid tribute to members of his staff who worked with him on the forecast. Without their help he would never have been able to place the 10-year forecast and financial plan before the board in April 1959.

Talquin Electric Cooperative is located in Gadsden County, Fla., close to the Georgia line. It serves three other counties—Leon, Liberty, and Wakulla.

Shade-grown tobacco is the major crop in these four counties. Co-op members depend on growing and cultivating tobacco, or its processing and packing, or its manufacture into cigars. The comfortable incomes of the tobacco growers have built handsome modern homes, 78 of them carrying the Gold Medallion signifying that they are all-electric. Requirements are all-electric kitchens, electric heating, adequate wiring and lighting. Some also have air-conditioning.

Smaller homes of Talquin

members may have a limited number of electrical conveniences, but the cooperative's policy, especially for the past 6 years, has been to encourage high kwh consumption in every possible way. Several rate adjustments have been made. In 1955, for example, the farm and home rate was reduced, with special consideration to members who installed electric water heaters.

According to Mr. Weaver, not every consumer who lives on a farm in the area is a farmer. He may be a tobacco grower or, infrequently, a dairy or poultry farmer. But, more often, he is a worker in the tobacco fields.

Shade-grown tobacco—the best leaf for cigar wrappers—is produced only in Gadsden County, in the Connecticut River Valley, and in Cuba, according to Weaver. This makes tobacco the most important crop in Talquin's service area. Electricity irrigates the tobacco fields, lights the warehouses, furnishes the power for grading and sorting equipment, and provides the air-conditioning

necessary to control humidity.

Tobacco is a vital factor in the economy of the Quincy region and in the successful operation of Talquin Electric Cooperative. Many farmers have little interest in growing anything else. The State of Florida is trying gradually to change this, however, and is encouraging farmers in the northern part of the state to raise truck crops. Several wholesale markets have been built to help farmers in marketing these crops; one of these is the new Gadsden County State Farmers Market near Quincy.

Such a change not only would help to balance the labor market, but also would benefit the co-operative. Tobacco irrigation is heavy only for a comparatively brief period, usually during May, June, and July. Truck crops, on the other hand, would require irrigation for the greater part of the year, and would thus improve the co-op's load factor.

Looming on the horizon is a development which may force that change in the area's farming operations. This is a homogenized cigar wrapper combining various types of tobacco leaves, blending them into a leaf which would rival the natural wrapper. The homogenized wrapper is now being used experimentally. Everyone in the Talquin Electric Cooperative area is watching the situation with great interest.

With even keener interest, Weaver and his board of directors are noting the growth of several rural industries on Talquin's lines. Much of the four counties served by the co-op is in forest, so forest products are big in the economy. This means sawmills,

pulpwood and veneer plants, furniture factories, and one plant, which treats pine stumps, once sheer waste material, to yield resin, pine oil, turpentine, and chemical derivatives. These extracted materials are used in products ranging from medicines to rubber. By 1968, it is conservatively estimated that this plant alone will use 300,000 kwh a year.

One of the newest industrial loads is a concrete pipe plant recently opened near Quincy. This is an important consumer in several respects. The plant will use local materials, including sand and gravel from pits owned and operated by co-op members. When it is in full operation, it will use about 12,000 kwh a month. In addition, this plant will bring about 30 employees onto Talquin's lines as new consumers. The entire plant is electric-powered, even to the electric resistance heaters in the office.

This has been a good year for industrial load, Weaver reports.

Leon Weaver, manager of Talquin, says that a financial plan is necessary for handling general funds intelligently.





New concrete pipe plant of a material manufacturing company is all-electric. Eventually it will add about 12,000 kilowatt-hours monthly to co-op's industrial load.

The co-op added more in 1960 than in the past 3 years combined. Fortunately, all these new industries were conveniently located with respect to TEC's lines. It seems inevitable that the heaviest growth in use of co-op power will be industrial.

The highlights of Talquin's financial plan, as approved by the board in 1959, are:

"The Depreciation and Disaster Reserve will be maintained as a funded reserve, in lieu of any Disaster Fund.

"A funded reserve for payment of capital credits will be maintained by depositing in a reserve account at the end of each year $2\frac{1}{2}$ percent of the total capital credits figure shown in the books at the end of that year.

"Advance payments (or cushion of credit) will be maintained equal to the amount needed to make payments to REA for 2 years.

"Cash available beyond that needed for these purposes will be used for plant investment, in place of loan funds from REA. A plant investment fund will be set up to take care of anticipated needs for this purpose for 2 years.

"Any additional funds may be used to retire unpaid notes."

Bascom Mahaffey, Director of Member Service, observes that "electric heating has the biggest potential among our members. We have 90 heating installations now, about 1 percent of members. We hope for a gradual but steady increase during the next 10 years, perhaps up to 25 percent of residential consumers by 1969."

The basis for this conservative optimism is the fact that between May 1 and October 1, 1960, 250 kw of electric heating was installed—more than in all of 1959. The interest of members, plus the conviction that it deserves pro-

motion, prompted the co-op to sponsor an electric heating clinic last September, led by an REA representative.

Insulation is the No. 1 problem, since it is an absolute requirement for successfully heating a house by electricity. It's easy and comparatively inexpensive to handle in constructing new homes, but it is often a stumbling block when remodeling the whole house. Mahaffey says that when consumers become convinced of the superior heating service they'll get from electricity, its safety and cleanliness, they're sold. He anticipates another 100 kw of electric heat will be installed in homes of Talquin members during the year ending next April 30, bringing the total to 1,500 kw. Yearly revenue from this will amount to around \$17,000.

Talquin's financial plan and forecast and its long-range system plan are tied in with its forecast of future growth in consumption. The cooperative is increasing its activities with local appliance dealers and salesmen to encourage sales of electric equipment. It has prepared an Appliance Sales Handbook, the introduction to which contains the following frank statement: "The electric sales you make insure our growth and progress."

The handbook contains much helpful information, including local electric rates (both inside city limits and in the co-op service area), the 1961 National Rural Electric Promotion Schedule of national advertising, also a list of nine large appliances giving the percentage of homes on co-op lines which have these items. This

shows, for example, that less than half of Talquin's members have electric ranges and water heaters, and only about 1 percent have clothes dryers. Obviously there's a good sales potential on these items alone.

To help dealers answer questions often asked by shoppers, the handbook offers two specific selling aids. One is a list of farm and household equipment, with their ratings in watts and their average kilowatt hour consumption. The other is called an appliance operating cost estimator. It enables a salesman to answer the question: "How much will this water heater (or other appliance) add to my electric bill?" Divided into nine columns representing bills ranging from \$2 to \$10, it shows the approximate amount each of several major appliances would add to a monthly bill.

The management of Talquin is counting on this sales aid to dealers to step up purchases of electric equipment by members. Of tremendous although intangible value, Weaver and his board are finding that such cooperation with local business is helping to build good community relations.

"We know our financial plan is conservative," concludes Weaver. "Perhaps it is too conservative. But our board of directors, which is intensely interested in the plan, expects to make it a flexible instrument, by reviewing both forecast and plan each year, if necessary, to change it and bring it up-to-date. Our chief objective is to keep our money working for us. I assure you that from now on we will always have a 10-year financial plan."

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IDEAS REVIVED THIS MISSOURI CO-OP

When youthful Curtis L. Funston got his first offer of a co-op manager's job 6 years ago, he wasn't sure who was knocking at his door: Opportunity or the Wolf.

Personally, Funston felt equipped to manage a co-op. His first rural electric job had been as a system engineer; he had risen to assistant manager of a Kansas cooperative. In early 1955, when he got the bid to manage the Nodaway-Worth Electric Cooperative, at Maryville, Mo., he knew that he was ready for additional responsibilities.

But along with the responsibilities, he would inherit a desk piled with troubles. Nodaway-Worth was up to its ears in a disappointing merchandising program. There was but \$20,000 in reserves, and the number of consumers was beginning to drop, as farms consolidated into larger units. DSER in 1954 had been only 84, and, with only one exception, the co-op had suffered a deficit in total margins every year since 1941. The job would call for some changes.

Funston decided to take it, eliciting agreement in advance from the board of directors to take Nodaway-Worth out of the white goods merchandising business. That was his first attack on the old operation; his subsequent attacks were waged across a broad front, with his big guns aimed at improving member, dealer, personnel, and public relations.

By 1959, Funston had proved that the only answer to bad management is good management. While the number of consumers still is falling in this corn-cattle-hog area, total kwh consumption rose from 10 million in 1955, to 15 million in 1959. DSER was 151 in 1958, and despite a new loan in 1959, the ratio still was a healthy 136. Total margins in 1959 were \$127,384—in the black. The R&R is almost fully funded on the basis of 1 percent per year.

The manager declines to give all the credit to management improvement, since in 1955 N.W. Power Cooperative began supplying all the co-op's wholesale power



The Nodaway-Worth management crew includes (left to right): William Protzman, line superintendent; Curtis L. Funston, manager; Mrs. Virginia Hamman, office manager, and Virgil Courtney, director of power sales.

needs at lower cost. But at the same time, Funston won't give all the credit to lower power costs.

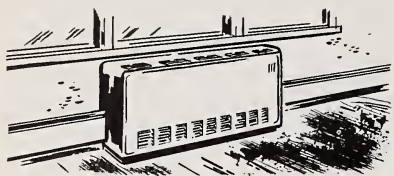
He credits the following twelve keys to better co-op management with much of the co-op's success.

- **Build Dealer Relations.** With dissolution of the co-op's own 3-year-old merchandising program, Funston was faced with a formidable task in rebuilding relations with local appliance dealers. He began by working out a special promotion with one large dealer, and he has since brought other local retailers into promotion campaigns. In 1959, his electric sales promotion expense for this 3,700-member cooperative was \$15,930. He believes that his most important contribution to dealers has been, not money, but a comprehensive appliance and equipment survey. The first was held in June 1957; the second, in

April 1960. Of a total of 3,498 consumers surveyed last April, 2,455 returned their survey cards. Cards were then filed by area, and tied in with system maps so that when a consumer develops load trouble, Funston can take a quick look at the equipment on the line. He also analyzes survey results on a township basis, and sends letters to dealers, citing the figures for their marketing areas. So far, most dealers have found the results invaluable in planning campaigns.

- **Sell Electric Space Heating.** With Nodaway-Worth still losing members, Funston decided that electric space heating would have to bring in additional revenue. His director of power sales, Virgil Courtney, added 12 electrically heated pig farrowing houses to the lines by December 1960, and he hopes to report 100 homes

with electric heat by the end of 1962. The 1960 survey indicated that 200 consumers plan to build new homes or remodel present



homes soon. These are prime prospects, and the co-op entered the heating contracting field in February 1960. It works closely with two local insulating firms, and has a competitive house heating rate of 1½ cents per kwh.

● **Start a Wiring Program.** On the last survey, more than half of those replying said that the co-op should do wiring and appliance servicing at cost. Still holding back on appliance service, the co-op already has started contracting wiring. "No complaints so far from other contractors," Funston reports. "It was like pulling teeth to get them out in the country, anyway." Wiring charges are \$5 per hour, with a \$5 minimum per call. There is no transportation charge. One man now works on wiring full time, and consumers are billed separately for materials. Funston feels that present charges cover costs.

● **Reduce Outages.** To build member confidence, Funston promptly began a program to reduce outages. Nodaway-Worth is located in what he calls "ravaged country," with snow, ice, fast growing trees, severe thunderstorms, and tornadoes. In the winter of 1959-60, the worst on record, the area suffered 88 inches

of snow, with temperatures as low as 30 degrees below zero. The present program includes keeping accurate outage reports, patrolling all lines on a routine basis, checking all oil circuit reclosers each year, and doing more "hot" line work. Funston also has completed the co-op's first long-range system plan.

● **Follow Sound Personnel Policies.** Following the lead of large corporations, Funston established a formal organization chart, setting up the first written job descriptions in the co-op's history. Written policies spell out employee obligations. For employee protection, there are cost-of-living wage adjustments and periodic job evaluations. All staff members are encouraged to engage in civic activities, and several, including Funston, work with the Boy Scouts. Mrs. Hamman, the office manager, is active in The Electrical Women's Round Table.

● **Encourage Employee Training.** In his 1960 Operating Budget Report, Funston described the following activities under job training and safety: "Expand and enforce all written safety rules; give special 'hot' line training to all line employees; train new employees; provide institute training for department heads as time permits; hold monthly safety meetings; provide special public relations training for all employees." Funston himself has completed all NRECA management institutes offered to date.

● **Develop a Complete Operating Budget.** "While I am occasionally accused of preaching too much," the manager confessed, "I prefer to lean toward saying too much rather than too little."

His report on the budget to the board each year ties each budget item to clear objectives, actual work to be done. For example, his last budget report noted: "Conduct in place tests on 220 oil circuit reclosers and sectionalizers . . . Move 225 poles for road improvements . . . Change out 100 yard lights; replace 400 bulbs."

● **Contract More Work.** Funston feels that a small cooperative like Nodaway-Worth must contract much maintenance work to provide first-rate service reliability. He already has contracted for an accelerated brush and tree control program, and soon will contract maintenance and meter work.

● **Strive for a Better Newsletter.** Discovering that members were receiving only the statewide paper from the co-op, Funston added a new four-page co-op paper. Now members receive both—and read them. "We expect all employees to contribute to the newsletter," he insisted. "I'm proud to say that we use no canned material in it, and I never write an editorial. I can't believe that members want to hear my views on anything." There was some big news for the paper in 1959, when the co-op announced computation and notification to members of the first capital credits issued in Nodaway-Worth's history.

● **Make Friends with Editors.** With seven other members of N.W. Electric Power Cooperative, Nodaway-Worth regularly advertises in some 50 newspapers in

17 counties. An advertising agency buys space out of one joint fund, with N.W. members paying into the fund on a "per member" basis. The agency also handles press releases for all the co-ops, and writes both institutional and power-sales advertising copy.

● **Build Annual Meeting Attendance.** Nodaway-Worth uses a statewide tent for annual meetings, which are held in a different spot each year to draw on differ-



ent members. A perforated tab on the annual report becomes an automatic registration slip at the meeting, but Funston believes that full and clear reporting to the members is even more important than prize drawings.

● **Install a Self-billing System.** One of Funston's first moves in 1955 was to institute a self-billing system. Today his collecting and billing costs, expressed as a percent of operating revenue, is one of the lowest in Missouri. Delinquencies have been reduced to only 15 or 20 per month.

"Our membership may finally level off at about 3,200 or 3,300 consumers," concludes Funston, "but I know now that we are going to stay in the black. Our next step will be preparation of a 10-year financial forecast and financial plan."



Boss of 50,000 Chickens

"Power's the Least of my Worries"

During a recent interview with a newspaper reporter, Jack Hazzard, the hospitable squire of Wedgefield Plantation, described his poultry-and-egg operation thusly:

"You might say that we're just a typical small business, with the family living above the store."

That was a pretty funny line, as you realize when you tour the Hazzard egg factory. At the moment, this Georgetown, South Carolina, businessman gathers, candles, cleans, grades, and packages some 22,400 eggs every day. While it is true that the packaging takes place in Hazzard's basement, the house "above the store" is a gracious mansion, designed in Regency style by a famed New York architect. Not far from the "store" are eight laying houses, each containing 4,000 hens; pullet houses with a population of 18,000; and a manufacturing plant which can turn out 32 tons of feed at a time.

Hazzard is a consumer of the Santee Electric Cooperative, head-

quartered at Kingstree; his electric bill averages \$200 a month.

"That's one bill I don't mind paying," said the energetic poultryman. "Without power, we're dead."

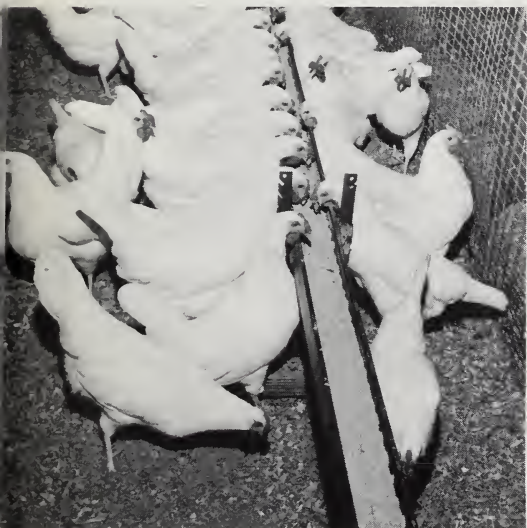
Jack Hazzard is a comparative newcomer to agriculture. He was an automobile dealer in Chapel Hill, North Carolina, for 18 years. In 1950, he purchased Wedgefield Plantation, in his home country near the sea in South Carolina.

"For 5 years," he recalled, "I commuted between Chapel Hill and Georgetown every weekend. In time, I found myself caring more about the plantation and less about the auto business. So I started looking around for a business I could handle without leaving home."

Hazzard spent a year studying various agricultural enterprises and traveling around the country examining them. Once, rice had been the chief crop of his 496-acre plantation, back before the Civil War, when rice was king in South Carolina. For many years, how-

◀ Hazzard family lives "above the store" in gracious Regency plantation house.

Jack Hazzard faces scales and operates "console" of switches to grind, weigh, and mix feed for his 50,000 chickens. ▶



◀ Laying hens devour 32 tons of feed per week. Auger and chain-feed delivers chow to chickens 30 minutes of hour.

Mrs. Hazzard packs eggs for delivery direct to coastal chain stores. She picks up boxes from revolving roundtable. ▶





Two of twenty employees who gather, candle, clean, and grade 24,000 eggs a day.

ever, the place had been idle.

"I settled on chickens pretty quickly," he said, "and I visited a lot of egg farms, picking up good ideas and discarding poor ones."

In 1955, he left the automobile business and started working at home with 5,000 hybrid laying hens. The flock since has swelled to 32,000, and it is still growing.

From four wells, electricity pumps a continuous flow of water to the laying and pullet houses. Automatic timers turn on the lights at 2 a. m., sending the hens to work, and another timer operates a chain which pulls feed around to the chickens half-an-hour out of every hour. Electricity also grinds and mixes the feed, and, of course, it enables Hazzard's 20 employees to cool and process the eggs.

Birds lay for a maximum of 14 months, and Hazzard has divided them into houses according to age groups. He keeps a graph on the production of each henhouse, and one house has pro-

duced an average of 285 eggs per hen per year. Hazzard believes that is a record.

The ex-car dealer sells a large share of his eggs direct to a chain of supermarkets along the coast, delivering them in his own refrigerated truck. Through last May, when he altered arrangements with his chain-store buyer, he had sold the stores 2.5 million dozen eggs. Lately, the rest of his production has been going to military bases.

"One of my chief concerns when I started business," Hazzard confessed, "was over joining a cooperative to get my electric power. Frankly, I was dubious. You can put it down for the record today that I can't imagine better service anywhere than I'm getting from Santee. After Hurricane Hazel ripped up lines here a few years ago, service was back before I believed it possible. If there's trouble today, Santee linemen are on the job within 30 minutes. Electric service is the least of my worries."

"WE TOLD OUR SUBSCRIBERS —AND GAINED THEIR SUPPORT"

In the western part of North Dakota, where the rolling country slopes down to the Missouri River, there were two telephone cooperatives. Both faced a dismal financial future. Now there is one telephone cooperative serving the combined areas. It is bigger, stronger, and faces a bright future. The steps that led to this consolidation make a good "how to do it" story.

Bowman-Slope Rural Telephone Mutual Aid Corporation, at Bowman, N. D., was serving 900 subscribers in Slope and Harding Counties, with a new dial system that included 1,342 miles of line and 5 exchanges. Their REA loans totalled \$1,030,000.

Dunn Telephone Mutual Aid Corporation, at Killdeer, N. D., was serving 787 subscribers in Dunn, McKenzie, Billings, and Stark Counties with 1,069 miles of line and 5 new dial exchanges. The REA loans to this co-op amounted to \$1,133,000.

Almost evenly matched in REA financing, miles of line, number of exchanges, and subscribers, the two co-ops were also alike in the thin territory they served and in the problems they faced. Towns are small and there are few of them. Farms are big and widely spaced. This gave the co-ops less than one subscriber per mile of line.

Last summer the Dunn co-op was granted a rate increase which

put multi-party rural service up to \$7.25 and \$7.50 a month. Manager Carl Harnisch talked over the situation with the board, and they agreed that after all possible reductions in staff and other economies, there still remained more overhead expense than could be carried by expected revenues.

Meanwhile, Manager Tom Harris was discussing the same kind of an operating dilemma with the board of the Bowman-Slope co-op. It appeared that losses for the year would amount to nearly \$17 per subscriber. More business and lower expenses appeared to be the answer for both telephone organizations.

Out of this realization came the idea of putting the two systems together. This would double the revenue and scale down costs. There would be one office instead of two, one general manager instead of two. REA was brought into the picture to make a cost analysis and operations projection. The study showed that if Bowman-Slope brought its rates up to the level that Dunn was in the process of obtaining, and the two systems combined their operations, there could be savings of \$19,800 per annum. This would permit a very small net margin for a consolidated co-op.

By mid-summer, the two boards had tentatively agreed to proceed toward a consolidation. They



Carl Harnisch and Tom Harris, managers of Dunn and Bowman-Slope telephone co-ops, agree on consolidation.

hired an attorney to work up an agreement, called on REA for approval and technical assistance, and instructed Managers Harnisch and Harris to work out the plans for making consolidation effective. Here was the unusual situation of two competent telephone managers undertaking a project that would leave one of them and perhaps both without a job.

Managers and boards met with their attorney and REA officials to wrap up a package that would guarantee to members of the two co-ops the very best telephone service at the lowest possible cost. It was realized at the outset that approval from the members, as owners of the two enterprises, would have to be obtained. The boards wanted something more than just a majority vote

from a bare quorum.

"If we are going to go into this," advised John Meisch, president of Dunn Telephone Mutual Aid Corporation, at a joint planning session, "we have to make sure the members know what this is all about and that they support our judgment right down the line." Bowman-Slope's president, Arvy Enloe, shared this conviction.

To secure the advantages of members' understanding and loyalty, the boards and managers agreed on a step-by-step program to inform members and the general public about the proposed consolidation ahead of time. The schedule included a letter to the members of each co-op from the presidents, a TV interview of both presidents by a local station, stories in all newspapers, talks with town officials, special articles in the newsletter preceding the annual meeting for each co-op.

With the annual meeting went a list of questions and answers about the financial position of the two co-ops and what changes the consolidation would bring. A telephone reminder campaign was worked out to stimulate attendance at the annual meeting. The meeting itself was planned with care to make it interesting and productive. Follow-up stories for newspapers after the meeting were included in the schedule of "things to do."

Here is the text of the letter which President Meisch and President Enloe sent to their members. It is reproduced here to tell part of the consolidation story as it was presented to the subscribers.

Dear Member:

Your Board of Directors is responsible for protecting your investment as a joint owner of the Dunn Telephone Mutual Aid Corporation. From the start of this project we all knew the job of building and operating a telephone system in this area would not be easy. Your support and loyalty has made it possible to get the REA loan and build the lines we have today.

Unfortunately, people in this part of North Dakota do not live very close together. We have less than one subscriber per mile of line, and that is far less than the average in most rural areas. This is the reason we had to have a recent increase in rates. We do not want another one. That is why your Board recommends a consolidation of our Co-op with Bowman-Slope Rural Telephone Mutual Aid Corporation.

If we can operate the two adjacent systems as a single service, there will be definite advantages for you as a subscriber and as a joint owner:

- (1) We can operate with less expense, by having one set of office and overhead costs instead of two;
- (2) One large Co-op can operate more efficiently and offer better service than two smaller ones;
- (3) The proposed consolidation will guarantee continued local ownership and control by you and your neighbors.

The primary objective of both co-ops is "to provide dependable, area-wide telephone service on the cooperative plan and at the lowest cost consistent with sound economy and good management." We can do this better by working together in a Consolidated Telephone Cooperative, which would assume all the assets and liabilities of Dunn and of Bowman-Slope. At the annual meeting on October 20, your Board will provide for your consideration and vote a proposal for consolidation.

There will be one business office, centrally located in Dickinson which serves almost all of the combined areas as a major trade center. Adequate maintenance personnel will be stationed in the present exchange areas, so that the very best service can be provided. Rates will be equitable in the service area; Bowman-Slope is now in the process of bringing their rates into line with our own. Each of the present areas will have equal representation on the new Board of the Consolidated Telephone Cooperative.

You will receive a copy of the plan for consolidation before the annual meeting. This report will contain detailed information that will answer questions you may have about this proposal. In addition, we will try to get some of this information to you in newspaper stories, on a radio or TV program, and in your next Co-op newsletter. Your directors and manager will be glad to talk with you about the consolidation. This is your Co-op, and we want you to know what we are doing as your elected representatives.

It is very important that you attend the annual meeting and vote for this consolidation. The meeting will be held at Dunn Center, with registration at 11 o'clock, a sausage and pancake feed at noon, and the business session at 1:30. Mark your calendar now, and please be there.

There will be a program on KDEX-TV, Dickinson, on Tuesday evening at 10:05. Many of the questions you might have will probably be answered at that time.

Very sincerely yours,

John Weisch
John Weisch, President

Was this effort worth while? About 700 people attended the meeting at Bowman, where members voted better than four to one for consolidation. Manager Harris said of the meeting, "It was just great!"

Up at Killdeer, the attendance

went over 350. Manager Harris reported, "Last year, we had to send a lineman out on the street to round up a quorum. This year we had a record turnout, so the publicity certainly did the trick." Members voted overwhelmingly for consolidation."



Scarbro family portrait: seated, C. N. Jr., Mr. and Mrs. C. N. Scarbro, Sr., Kenneth; standing, Willard, Gene, Malcolm. Only daughter, Thelma, was absent.

Tennessee Telephone Family

Nestled in the Clinch Mountains of eastern Tennessee, just outside of Knoxville, are the telephone lines of the Powell Telephone Company, first REA borrower in the state—and fourth in the Nation—to cutover to modern dial operation.

Powell Telephone is unique in many ways. First, it is strictly a family affair. It is owned and operated by the Scarbro family, with Charles N. Scarbro, Sr., actively at the helm of the company, and with his wife, four of their sons, and a daughter, all engaged in telephone work.

Kenneth Scarbro is a central office supervisor for Southern Bell in Knoxville. Malcolm is also on the Southern Bell staff, as a telephone technician. Gene is manager of the Powell company's Rutledge exchange, 30 miles to

the northeast. W. F. Scarbro runs things as plant superintendent in the Powell office, and Thelma Scarbro, the only daughter, is a telephone operator with Southern Bell in Atlanta, Ga.

Only "renegade" in the family is Charles, Jr., who is city circulation manager of the Knoxville News-Sentinel. In his spare time, however, he pitches in at the Powell office, handling public relations and other chores, especially since his dad suffered a broken hip in an auto accident late in 1960.

Scarbro, Sr., back on the job after a long siege in the hospital, is a veritable mine of telephone lore in Tennessee. He worked for Southern Bell for 35 years before his retirement in 1946, but for almost two decades of that time he was actively engaged in

his favorite "hobby," building up the Powell Telephone Company.

"I remember," he says, "how it all began. Al Schroeder came down from the mountains one day with his telephone instrument in his hand and asked me to 'fix the danged thing.' Of course, there was nothing wrong with the telephone; it was the wire outside Al's house. In those days, there were dozens of small farmers' mutuels around here, all magneto-operated and all with pretty poor service. The mutual provided the conductor for 1,000 feet away from the office, and that was all. After that, each subscriber was on his own. He bought his own wire, strung it up, bought the telephone instrument, paid \$10 to get hooked to the system, and \$1.50 a month for telephone service, such as it was.

And I'll be the first one to admit that the service wasn't much."

The telephone situation in and around Powell started Scarbro, Sr. thinking. He came to work for the little Powell mutual which then was operating a small switchboard with 60 subscribers and two trunk lines to Knoxville—one of which was out of order almost all the time. Mrs. Scarbro, another telephone old-timer, quit her job in the local store to take over running the switchboard in a backroom of the house.

In those days, the Scarbro larder never lacked for provisions. Many of the farm families couldn't always raise the cash for the \$1.50 monthly payment, so they paid off in food. A visitor to the Scarbro home would be apt to stumble over bushel baskets of tomatoes, or corn, boxes of eggs,

Lineman Carl Jones mounts ladder truck to make cut-in on Powell exchange.



hams, turkeys, chickens, or other staple food items.

Slowly, and with typical Tennessee frugality, the Scarbro family built up its telephone company. By 1931, it boasted 125 subscribers on the old "whoop and holler" system.

"We knew there were other more efficient methods of telephone communication," Charles Jr., reminisced, "and we aimed to provide them for our subscribers as soon as we could. We had a long-range plan of improvement for the entire system, especially after the family took over management of the company as major stockholders, just before World War II."

The Powell company's biggest obstacle was financing. It received a couple loans from the Reconstruction Finance Corporation and got some additional funds from telephone equipment manufacturers. Interest was high, and the manufacturers were interested, of course, in making loans only on their own equipment, and not on the borrower's existing plant.

Meanwhile, the Powell Company was forging ahead with its plans for better service. By sheer luck, Mr. Scarbro heard of a 300-line common battery switchboard that the Army wanted to sell as surplus at its Holly Ridge, N. C., installation. Scarbro, senior and junior, jumped in the family car, drove nonstop to Holly Ridge to inspect the equipment, and bought it. Powell Telephone Company was one step higher on the ladder.

When the REA telephone loan program was signed into law in October 1949, the Scarbro family

was interested at once. Here, they could foresee, might be the "answer to our troubles"—and that is the way it has worked out.

"For companies like ours" Scarbro states with candor and enthusiasm, "REA seemed to offer exactly what we needed: financing, technical assistance, management aids, engineering help, bookkeeping ideas—in short, a complete package deal that spelled progress for us."

The package was "opened" in October 1952, when Powell Telephone Company cutover its first exchange to dial with 825 subscribers, about 175 more than its 650 estimate. In fact, installations had to be stopped about a month before the cutover in order to get the job completed. Even while the echoes of the first cutover were still in the air, another loan application was on its way

Phone booth, outside Powell office, is popular meeting place for school crowd.



to REA. The company has now had five loans approved and a sixth is in the works.

By mid-November 1960, Powell Telephone Company was housed in two handsome REA-financed telephone buildings and was serving 1,600 subscribers on its Powell exchange, 940 in Rutledge, and 460 through its unattended dial office in nearby Claxton.

That made a grand total of 3,000 subscribers—an achievement that the Scarbro family felt worthy of celebration. They observed that milestone by inviting the whole staff and their families, as well as Bell and manufacturer representatives, to a gala dinner party in a local restaurant. The affair also served to kick-off the first annual "Extension Selling Contest" among the employees.

Each staff member will receive points for every extension phone he sells during a 30-day period. A prize goes to the winner. Management cooperates with the staff in this competition by waiving the usual extension connection fee during the contest.

The Scarbro family can feel proud of its accomplishment: providing up-to-date dial service for 3,000 families and other rural subscribers in Knox, Anderson, and Grainger counties. It can be proud of all the hard work that has gone into building the Powell Telephone Company. This is an excellent example of what can be done when local people, aided by Government financing, work together to get telephone service for themselves and their neighbors in eastern Tennessee.

Ringgold: Progress on the Run

Since receiving an REA loan 2 years ago, the Ringgold Telephone Company of Ringgold, Georgia, has been surging forward with amazing speed. Approval of the loan of \$802,000 was announced on October 17, 1958, and by September 20, 1959, a new building had been constructed, 1,000 lines of terminal per station equipment had been installed, and cutover from the old dial switchboard for 250 lines had been accomplished. In the spring of 1960, the outside cable plant was finished and new phones installed. The company is now planning to provide extended area service with a supplemental telephone loan from REA.

Unique features of Ringgold are that only 32 of its subscribers asked for multi-party service, and that only 12 subscribers are being served off open wire. The entire plant is either in plastic cable or rural distribution wire.

Progress has been the aim of this company since it was founded in 1912 by the late Jim Evitt, Sr., with only eight telephones. At the time of Mr. Evitt's death in 1948, it had grown to 255 stations; and at cutover to the first dial office in August 1950, there were 400 stations. By April 1958, when the application was made to REA, stations totaled 900.

It was about this time that

Ringgold was incorporated, with Jim Evitt, Jr., as President; Presiding Justice T. Grady Head of the Georgia Supreme Court as Vice President; Mrs. Jim Evitt, Sr., Secretary-Treasurer, and Mrs. Mamie Clark, Assistant Secretary-Treasurer. Dr. Charles W. Stephenson has served as Secretary-Treasurer since the death of Mrs. Evitt in late 1959.

Today, Ringgold boasts nearly 1,600 stations.

The Ringgold Company is in Catoosa County, which also has been making progress. Ten years ago Catoosa ranked 62nd in population out of 159 counties in Georgia. Today, with a 40 percent increase in population since 1950, it is in 37th place. This, despite the fact that it has the third smallest area of any county in Georgia. Because the population density is becoming one of the highest of any rural county in Georgia, the Ringgold Telephone Company has been able to provide a high grade of service to any subscriber who wants it.

The town of Ringgold, where the company is located, is the county seat of Catoosa County and is located only 10 miles from the Chattanooga city limits. It serves—with the county—as a dormitory for many people who work in Chattanooga.

The Ringgold Telephone Company recently made a survey to determine whether its subscribers desired extended area service to Chattanooga with Chattanooga rates. Since only 18 of the subscribers objected, construction has already begun on facilities to provide this service. Cable is being installed for EAS trunks. More line finders and connectors



Modern central office plant means top-notch telephone efficiency at Ringgold.

will be added to present switchboards, and 200 lines of equipment will be installed to take care of additional subscribers. This will provide Ringgold subscribers with toll-free service to 100,000 more telephones. Further, other towns and communities in Catoosa County, such as Fort Oglethorpe, Lakeview, Boynton, and Duncan Park, which are served by Southern Bell from Chattanooga offices, will be able to call Ringgold, their county seat, toll free.

In addition, EAS will provide Ringgold subscribers toll-free service to the Hutcheson Memorial Tri-County Hospital, which serves Walker, Dade, and Catoosa Counties.

But this is not the end of expansion for the Ringgold Company. A new expressway from Chattanooga to Atlanta, now under construction, will help build population in the county and this, in turn, will make more subscribers for Ringgold.

ACCOUNTING RECORDS:

How They Can Serve You

by Howard C. Paine, REA Staff Accountant

In a famous address, Abraham Lincoln said: "If we could first know where we are, and whither we are tending, we could better judge what to do and how to do it."

When he spoke, Lincoln was concerned with the State of the Nation, but his words also point up one of the most important needs of management today. We must "know where we are and whither we are tending" to plan effectively for future events and to assure the success of the business.

Accounting records, based on good reporting and kept up-to-date faithfully, can provide an answer to this need.

1. They provide information which can be used to improve operating efficiency and to promote financial success.

2. They present, in a systematic manner, data covering plant investment, revenues, and expenses for use in rate hearings before regulatory bodies and in negotiations with connecting companies.

3. They set forth accurately the financial status for the benefit of members, stockholders, creditors, lending agencies, and regulatory commissions.

4. They furnish basic information for the preparation and support of tax reports.

Ask yourselves these questions about your own accounting records:

- Can full and accurate data be obtained from my records for the above purposes?

- Do expenses shown really represent what it is costing to furnish telephone service?

- Do figures in the accounts show a true picture of operating results?

- Are the totals in plant accounts representative of the actual costs of facilities now in service?

- May the company reasonably expect to collect the amounts recorded as receivables, and are current assets and deferred charges properly stated?

- Are the firm's liabilities fully disclosed?

If your answer is no to any of these questions, you are running the risk of drawing erroneous conclusions from your records. This could lead to improper management decisions, difficulties in supporting requests for rate adjustments, or misconceptions by investors or subscribers. What's more, you probably are wasting money by maintaining records which fail to pull their own weight.

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